Stock Code:2383

(English Translation of Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(With Independent Auditors' Report Thereon)

Address: No.18, Datong 1st Rd., Guanyin Dist., Taoyuan City 328, Taiwan (R.O.C.)

Telephone: (03)483-7937

The auditor's report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor's report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Elite Material Co., Ltd.:

Opinion

We have audited the financial statements of Elite Material Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   Refer to Note 4(n) "Revenue" and Note 6(p) "Revenue" to the financial statements.

   Description of key audit matter:

   The recognition of revenue is based on the fact that the Company has transferred all its ownership and the significant risk of its products to the customers. The judgment on the arrival date of the products involves uncertainty under the FOB destination which is stated in the sales contracts between the Company and the customers. The Company still needs to take the risk of the products before they are delivered to customers. Therefore, the recognition of revenue was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the accounting policies on the recognition timing of sales revenue and the appropriateness of related internal controls; testing the effectiveness of implementation of internal control; performing cut-off test for recognition of revenue on the period before and after the balance sheet date to assess the rationality to the recognition timing of sales revenue.

2. Allowance for Inventory Valuation

Please refer to Note (4)(g) "Inventories" and Note (6)(d) "Inventories" of the financial statements.

Description of key audit matter:

The printed circuit board and other electronic components are the major products of the Company. Inventories have specific life cycle due to their attributes. Apart from this, the Company prepared certain amounts of security stock to meet the delivery date required by the customers. Inventories are stated at the lower of cost or net realizable value. Consequently, there may be situations that the net realizable value of inventory will exceed its cost. In addition, the Company would purchase the materials in advance for the expected sales orders. The cancellation or the change of orders, and the change of the material used or quantities of the material may lead to product obsolescence. Therefore, the recognition on allowance for inventory valuation and obsolescence loss was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the allowance for loss due to price decline, obsolete, and slow moving inventories to determine whether policy of the Company is applied; selecting samples to examine their net realizable values to verify the accuracy and completeness of inventory aging report; reassessing the accuracy of allowance for inventory valuation and obsolescence loss according to the Company's accounting policy; performing a retrospective review to evaluate the completeness of disclosure for allowance for inventories

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chung-Yi Chiang and Ying-Ju Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditor's report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor's report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017.12.31		2016.12.31	
	ASSETS	**Amount**	**%**	**Amount**	**%**
	Current Assets:				
1100	Cash and cash equivalents (Note (6)(a))	$ 1,687,855	10	644,037	4
1150	Notes receivable, net (Note (6)(c))	263,681	2	227,753	2
1170	Accounts receivable, net (Note (6)(c))	1,597,791	10	1,743,912	12
1181	Accounts receivable-related parties (Note (7))	221,846	1	32,481	-
1200	Other receivables, net (Note (7))	23,667	-	4,190	-
1310	Inventories (Note (6)(d))	685,937	4	546,535	4
1470	Other current assets	36,747	-	30,640	-
		4,517,524	27	3,229,548	22
	Non-Current Assets:				
1550	Investments accounted for using equity method, net (Note (6)(e))	9,642,980	59	9,480,104	65
1600	Property, plant and equipment (Note (6)(f))	2,141,028	13	1,839,614	13
1780	Intangible assets	2,795	-	2,591	-
1840	Deferred tax assets (Note (6)(l))	57,488	-	36,433	-
1900	Other non-current assets	88,000	1	100,924	-
1920	Guarantee deposits paid	3,962	-	5,449	-
		11,936,253	73	11,465,115	78
	Total assets	$ 16,453,777	100	14,694,663	100

		2017.12.31		2016.12.31	
	LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
	Current Liabilities:				
2100	Short-term borrowings (Note (6)(g))	$ 150,325	1	22,022	-
2120	Current financial liabilities at fair value through profit or loss (Note (6)(b))	-	-	1,968	-
2170	Accounts payable	1,508,605	9	1,359,977	9
2180	Accounts payable-related parties (Note (7))	43,847	-	36,180	-
2200	Other payables	739,494	5	725,731	5
2230	Current tax liabilities	154,288	1	205,477	2
2250	Current provisions (Note (6)(j))	15,118	-	18,641	-
2322	Long-term borrowings, current portion (Note (6)(h))	-	-	350,000	3
2399	Other current liabilities, others	4,689	-	4,311	-
		2,616,366	16	2,724,307	19
	Non-Current liabilities:				
2530	Bonds payable (Note (6)(i))	1,320,206	8	-	-
2540	Long-term borrowings (Note (6)(h))	-	-	870,900	6
2551	Non-current provisions for employee benefits (Note (6)(k))	21,629	-	31,080	-
2570	Deferred tax liabilities (Note (6)(l))	606,912	4	556,942	4
2500	Non-current financial liabilities at fair value through profit or loss (Note (6)(b))	5,869	-	10,521	-
2645	Guarantee deposits received	11,116	-	-	-
		1,965,732	12	1,469,443	10
	Total liabilities	4,582,098	28	4,193,750	29
	Equity attributable to owners of parent (Note (6)(m)):				
3100	Share capital	3,196,524	19	3,189,211	22
3200	Capital surplus	623,721	3	443,632	3
	Retained earnings:				
3310	Legal reserve	1,256,696	8	979,661	6
3320	Special reserve	126,586	1	-	-
3351	Accumulated profit and loss	6,905,344	42	6,014,995	41
3400	Other equity	(237,192)	(1)	(126,586)	(1)
	Total equity	11,871,679	72	10,500,913	71
	Total liabilities and equity	$ 16,453,777	100	14,694,663	100

The accompanying notes are an integral part of the financial statements.

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ELITE MATERIAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017		2016	
		Amount	%	Amount	%
4000	**Operating revenue (Notes (6)(p) and (Note (7))**	$ 6,181,352	100	6,025,659	100
5000	**Operating costs (Notes (6)(d) and (Note (7))**	(5,167,859)	(84)	(4,713,871)	(78)
	Gross profit (loss) from operations	1,013,493	16	1,311,788	22
5910	Less: Unrealized gains	5,225	-	1,046	-
5920	Add: Realized gains	1,046	-	973	-
	Gross profit from operations, net	1,009,314	16	1,311,715	22
	Operating expenses:				
6100	Selling expenses	(195,666)	(3)	(228,190)	(4)
6200	Administrative expenses	(305,206)	(5)	(322,831)	(5)
6300	Research and development expenses	(127,866)	(2)	(92,184)	(2)
6300	**Total operating expenses**	628,738	10	643,205	11
	Net operating income	380,576	6	668,510	11
	Non-operating income and expenses:				
7010	Other income (Note (6)(r))	2,087	-	2,460	-
7020	Other gains and losses (Note (6)(r))	(7,634)	-	(17,300)	-
7370	Share of profit of associates and joint ventures accounted for using equity method	3,119,404	50	2,793,523	46
7050	Finance costs (Note (6)(r))	(34,400)	-	(27,005)	-
	Total non-operating income and expenses	3,079,457	50	2,751,678	46
7900	**Profit before income tax**	3,460,033	56	3,420,188	57
7950	**Less: Tax expense**	(669,076)	(11)	(649,833)	(11)
	Profit	2,790,957	45	2,770,355	46
	Other comprehensive income:				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurement from defined benefit plans	2,493	-	(29,655)	-
8349	Income tax expense related to components of other comprehensive income that will not be reclassified to profit or loss	(424)	-	5,042	-
	Total items that will not be reclassified subsequently to profit or loss	2,069	-	(24,613)	-
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign statements	(133,260)	(2)	(702,122)	(12)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	22,654	-	119,361	2
	Total items that will be reclassified subsequently to profit or loss	(110,606)	(2)	(582,761)	(10)
	Other comprehensive income after tax	(108,537)	(2)	(607,374)	(10)
	Total comprehensive income	**$ 2,682,420**	**43**	**2,162,981**	**36**
	Basic earnings per share (Note (6)(o)) (dollars)	**$**	**8.74**		**8.70**
	Diluted earnings per share (Note (6)(o)) (dollars)	**$**	**8.53**		**8.65**

The accompanying notes are an integral part of the financial statements.

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ELITE MATERIAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained Earnings			Other Equity	
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Statements	Total
Balance as of January 1, 2016	$ 3,175,051	432,549	740,737	-	4,876,106	456,175	9,680,618
Profit for the years ended December 31, 2016	-	-	-	-	2,770,355	-	2,770,355
Other comprehensive income for the years ended December 31, 2016	-	-	-	-	(24,613)	(582,761)	(607,374)
Total comprehensive income for the years ended December 31, 2016	-	-	-	-	2,745,742	(582,761)	2,162,981
Earnings distribution:							
Legal reserve	-	-	238,924	-	(238,924)	-	-
Cash dividends	-	-	-	-	(1,367,929)	-	(1,367,929)
Issuance of shares for exercise of employee stock options	14,160	11,031	-	-	-	-	25,191
Recognized compensation costs on employee stock option	-	52	-	-	-	-	52
Balance as of December 31, 2016	3,189,211	443,632	979,661	-	6,014,995	(126,586)	10,500,913
Profit for the years ended December 31, 2017	-	-	-	-	2,790,957	-	2,790,957
Other comprehensive income for the years ended December 31, 2017	-	-	-	-	2,069	(110,606)	(108,537)
Total comprehensive income for the years ended December 31, 2017	-	-	-	-	2,793,026	(110,606)	2,682,420
Earnings distribution:							
Legal reserve	-	-	277,035	-	(277,035)	-	-
Special reserve	-	-	-	126,586	(126,586)	-	-
Cash dividends	-	-	-	-	(1,499,056)	-	(1,499,056)
Equity component of convertible bonds issued by the Company-arise from stock option	-	121,544	-	-	-	-	121,544
Conversion of convertible bonds	5,863	62,556	-	-	-	-	68,419
Conversion of convertible bonds to ordinary shares	-	(5,559)	-	-	-	-	(5,559)
Issuance of shares for exercise of employee stock options	1,450	1,595	-	-	-	-	3,045
Recognized compensation costs on employee stock option	-	(47)	-	-	-	-	(47)
Balance as of December 31, 2017	**$ 3,196,524**	**623,721**	**1,256,696**	**126,586**	**6,905,344**	**(237,192)**	**11,871,679**

Note: For the years ended December 31, 2017 and 2016, rewards of directors of $36,042 and $35,627 and employees of $108,126 and $106,881, respectively, were estimated and recognized as current expense.

The accompanying notes are an integral part of the financial statements.

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ELITE MATERIAL CO., LTD.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Profit before tax	$ 3,460,033	3,420,188
Adjustments:		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	138,120	149,662
Amortization	2,006	1,537
Provision for doubtful accounts	400	6,519
Loss (profit) on financial assets or liabilities at fair value through profit or loss	(2,120)	1,968
Investment gains (losses) recognized under equity method	(3,119,404)	(2,793,523)
Interest expenses	18,789	27,005
Interest income	(2,087)	(2,460)
(Gains) loss from disposal and retirement of property, plant and equipment, net	331	(544)
Share-based payment	(47)	52
Discount amortization on convertible bonds convert to Interest expense	15,611	-
Total adjustments to reconcile net income to net cash provided by operating activities	(2,948,401)	(2,609,784)
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	(36,166)	(27,511)
Accounts receivable	145,959	(58,513)
Accounts receivable-related parties	(189,365)	(15,603)
Other receivables	(19,354)	11,298
Inventories	(139,402)	(88,867)
Deferred revenues	4,087	(20)
Other current assets	(6,107)	(6,532)
Other assets	12,924	(11,118)
Total changes in operating assets, net	(227,424)	(196,866)
Changes in operating liabilities, net:		
Accounts payable	148,628	5,794
Accounts payable-related parties	7,667	-
Other payable	88,586	89,458
Provision	(3,523)	14,749
Other current liabilities	378	(334)
Net defined benefit liabilities	(6,958)	(6,546)
Total changes in operating liabilities, net	234,778	103,121
Total changes in operating assets and liabilities, net	7,354	(93,745)
Total Adjustments	(2,941,047)	(2,703,529)
Cash inflow generated from operations	518,986	716,659
Interest received	1,964	2,506
Dividends received	2,819,181	1,758,157
Interests paid	(15,609)	(27,071)
Income taxes paid	(669,120)	(471,541)
Net cash provided by operating activities	2,655,402	1,978,710
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(518,892)	(347,106)
Disposal of property, plant and equipment	144	1,935
Acquisition of intangible assets	(2,210)	(2,334)
Increase in guarantee deposits paid	1,487	(20)
Net cash used in investing activities	(519,471)	(347,525)
Cash flows from financing activities:		
Increase in short-term borrowings	128,303	13,693
Proceeds from issuance of convertible bonds	1,500,000	-
Proceeds from long-term borrowings	750,000	-
Repayments from long-term borrowings	(1,975,000)	(311,300)
Increase in guarantee deposits paid	595	(26)
Dividends paid	(1,499,056)	(1,367,929)
Exercise of employee stock options	3,045	25,191
Net cash used in financing activities	(1,092,113)	(1,640,371)
Net increase in cash and cash equivalents	1,043,818	(9,186)
Cash and cash equivalents, beginning of year	644,037	653,223
Cash and cash equivalents, end of year	$ **1,687,855**	**644,037**

The accompanying notes are an integral part of the financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business

ELITE MATERIAL CO., LTD. (the "Company") was incorporated on March 24, 1992 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The main operating activities are the manufacturing and selling of copper clad laminates, electronic-industrial specialty chemical and raw materials, work-in-process, and finished goods of electronic components. The manufacturing and selling of printed circuit board is the main source of sales revenue.

The Company's common shares were traded on the Taipei Exchange (TPEx) on December 26, 1996, and its shares were publicly listed and traded on the Taiwan Stock Exchange (TSE) on November 27, 1998. The Company's registered office is on No.18, Datong 1st Rd., Guanyin Dist., Taoyuan City 328, Taiwan (R.O.C.).

The major operating item of the Company and its subsidiaries please refer to Note 14.

(2) Approval Date and Procedures of the Financial Statements

The Board of Directors approved and issued the financial statements on March 20, 2018.

(3) New Standards and Interpretations Adopted

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle	July 1, 2014

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. In addition, based on the announcement issued by the FSC on December 12, 2017, the Company can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

1. IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Company does not believe that impairment losses will have a material impact in the scope of the IFRS 9 impairment model.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The new hedge accounting requirements should generally be applied prospectively. However, the Company has decided to apply the accounting for the forward element of forward contracts retrospectively.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Company has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements.

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Based on its assessment, the Company believes that the timing of transferring material risks of ownership of products is similar to which of transfer of control.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Company plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. 1 January 2018) will not be restated.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

Those which may be relevant to The Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. ・ A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Significant Accounting Policies

The significant accounting policies adopted in the financial statements are as follows. Except for those described individually.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (the Guidelines).

(b) Basis of preparation

1.Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

1) Financial assets and liabilities at fair value through profit or loss in fair value measurement;

2) The net defined benefit liabilities (or assets) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(o).

2.Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign Currency

1.Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Those foreign currency differences arising on retranslation are recognized in profit or loss.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following which are recognized in other comprehensive income:

1) available-for-sale equity investment;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent the hedge is effective.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of a joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Assets and liabilities classified as current and non-current

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

2. It is held primarily for the purpose of trading;

3. It is expected to be realized within twelve months after the reporting period; or

4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company become a party to the contractual provisions of the instruments.

1.Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if it they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

A. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

B. Performance of the financial asset is evaluated on a fair value basis;

C. A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in statement of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and included in financial assets measured at cost.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in statement of comprehensive income account.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by Companying together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in statement of comprehensive income.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on available-for-sale financial assets” in profit or loss is included in statement of comprehensive income.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

2.Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

A. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on a different basis;

B. Performance of the financial liabilities is evaluated on a fair value basis; or

C. A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in statement of comprehensive income.

A financial liability at fair value through profit or loss is measured at cost if it is a short sale of unquoted equity investment whose fair value cannot be reliably measured and the short seller is obligated to deliver the equity instrument.

The Company issues financial guarantee contracts and loan commitments and designates them as at fair value through profit or loss. Any gains and losses are recognized in profit or loss, under non-operating income and expenses.

3) Other financial liabilities

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in the statement of comprehensive income.

4) Derecognizing of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in the statement of comprehensive income.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

6) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Company is recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37, or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

3.Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in (statement of comprehensive income). When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and of the embedded derivatives are not closely related.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventory cost is calculated using the weighted-average-cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The financial statements include the Company’ s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Company has an obligation or has made payments on behalf of the associate.

(i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Property, plant, and equipment

1.Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

2.Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3.Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings	3 ~56years
2) Machineries	3 ~19years
3) Miscellaneous equipment	2 ~14years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(k) Intangible assets

Software that is acquired by the Company is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	2 ~ 5 years

The residual value, amortization period and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

(l) Impairment – non financial assets

To ensure inventories, deferred tax assets, and assets arising from employee benefits are carried at no more than their recoverable amount, and to define how the recoverable amount is determined, if it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized immediately in profit or loss.

The Company should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The provision of sales discounts from defective products is recognized when selling. The provision is estimated and measured on related probabilities of historical experience data and all possible results.

(n) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. Generally for such products, the customer has no right of return.

(o) Employee benefits

1.Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as employee benefit expense in profit or loss in the periods during which services are rendered by the employees.

2.Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation with respect to the defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Any fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are amended, the relating expenses, resulting from the portion of the increased benefit relating to past services provided by the employees, are recognized immediately in profit or loss to the extent that the benefits are vested immediately.

Remeasurement of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

3.Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

1.Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

2.Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

3.Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1.the entity has the legal right to settle tax assets and liabilities on a net basis; and

2.the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock bonus. The Company's potential diluted ordinary shareholders include convertible bonds and stock option giving to employee.

(s) Operating segments

Please refer to the consolidated financial report of Elite Material Co., Ltd. for the years ended December 31, 2017 and 2016 for operating segments information.

(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note (6)(d) for further description of the valuation of inventories.

(6) Summary of Major Accounts

(a) Cash and cash equivalents

	2017.12.31	2016.12.31
Cash on hand	$ 535	425
Savings accounts	859,120	594,612
Time deposits	828,200	49,000
	$ 1,687,855	644,037

Please refer to Note 6(s) for the interest analysis of financial assets and liabilities.

(b) Financial assets and liabilities

1.Financial assets measured at cost:

	2017.12.31	2016.12.31
Current financial assets at fair value through profit or loss		
Financial assets held-for-trading		
Forward exchange agreement-USD	$ -	1,968
Non-current financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Redemption and repurchase option of bonds	$ 5,869	-

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2.Derivative financial instruments not used for hedging:

The Company uses derivative financial instruments to hedge certain foreign exchange and interest risk arising from its operating activities. The following are the transactions that do not qualify for hedge accounting which are presented as held-for-trading financial assets as of December 31, 2016:

Foreign exchange:

	2016.12.31			
	Contract Amount		Currency	Contract Period
Foreign exchange	USD	5,000	USD:TWD	2017.01-2017.02

The Company's credit currency and interest risk were disclose in Note 6(s).

As of December 31, 2017 and 2016, the aforesaid financial assets were not pledged as collateral.

(c) Notes and accounts receivable and other receivables, net

	2017.12.31	2016.12.31
Notes receivable	$ 263,923	227,757
Accounts receivable-related parties	221,846	32,481
Accounts receivable-non-related parties	1,604,626	1,750,585
Other receivables	23,667	4,190
Less: Allowance for impairment loss	(7,077)	(6,677)
	$ 2,106,985	**2,008,336**

The accounts receivables, notes receivable and other receivables were as follows:

	2017.12.31	2016.12.31
Not overdue	$ 2,074,921	1,991,630
Overdue 0-30 days	20,651	14,046
Overdue 31-120 days	12,057	2,853
Overdue 121 days and more	6,433	6,484
	$ 2,114,062	**2,015,013**

The movement in the allowance for impairment loss with respect to notes receivable, accounts receivable and other receivables for the years ended December 31, 2017 and 2016, was as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$ 6,433	244	6,677
Impairment loss recognized	-	400	400
Balance at December 31, 2017	**$ 6,433**	**644**	**7,077**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 42	158	200
Impairment loss recognized	6,433	86	6,519
Amount of write-off	(42)	-	(42)
Balance at December 31, 2016	**$ 6,433**	**244**	**6,677**

The Company signed an accounts receivable without recourse factoring agreement. According to the agreement, the Company was not responsible for the unrecoverable risks of accounts receivable but for the loss results from business disputes. Therefore, the Company may derecognize its account receivable without recourse:

2017.12.31					
Purchaser	**Derecognition Amount**	**Factoring line**	**Advanced amount**	**Interest rate**	**Collateral**
O-Bank and the others	**$ 642**	**15,859**	**-**	-	None

(d) Inventories

	2017.12.31	2016.12.31
Materials	$ 426,479	320,792
Work-in-process	67,106	30,669
Finished goods	187,678	187,456
Inventory in-transit	4,674	7,618
	$ 685,937	**546,535**

As of December 31, 2017 and 2016, the details of operating cost were as follows:

	2017	2016
Cost of goods sold	$ 5,213,113	4,767,331
Loss on disposal of scrap	963	1,174
Losses (gains) on inventory valuation and obsolescence	1,726	(21,891)
Revenue from sales of scraps	(47,943)	(32,743)
	$ 5,167,859	**4,713,871**

As of December 31, 2017 and 2016, the Company's inventories were not pledged as collateral.

Losses on inventory valuation and obsolescence are due to obsolescence or out of use, which results in that the net realizable value is lower than the cost. Therefore, it’s classified as operating cost.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Gains on recovery of inventory valuation and obsolescence are due to the factors of which causes net realizable value of inventories lower than cost disappeared by disposal. Therefore, the net realizable value increases and is recognized as deduction of operating cost.

(e) Investments accounted under equity method

		2017.12.31	2016.12.31
Subsidiaries	$	9,642,980	9,480,104
Associates		-	-
	$	**9,642,980**	**9,480,104**

1.Subsidiaries

Please refer to the consolidated financial statements of the year ended 2017.

2.Associates

The Company's investee company, Licheng Technology (Stock) Company, (formerly ELITE IONERGY CO., Ltd., with an investment of $173,694) closed down at the end of year 2005, with liabilities exceeding its assets. Because the investment value had been impaired, the Company recognized all losses and the book value was offset to zero.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2017 and 2016, were as follows:

		Land	Buildings	Machinery	Other equipment	Equipment under installation and construction in progress	Total
Cost:							
Balance at January 1, 2017	$	470,621	649,130	2,210,702	485,416	424,400	4,240,269
Additions		-	-	-	-	440,009	440,009
Disposals		-	(511)	(30,508)	(8,456)	-	(39,475)
Reclassification		-	25,083	340,100	80,048	(445,231)	-
Balance at December 31, 2017	**$**	**470,621**	**673,702**	**2,520,294**	**557,008**	**419,178**	**4,640,803**
Balance at January 1, 2016	$	470,621	650,330	2,288,386	430,816	38,300	3,878,453
Additions		-	-	-	-	496,220	496,220
Disposals		-	(3,200)	(122,785)	(8,419)	-	(134,404)
Reclassification		-	2,000	45,101	63,019	(110,120)	-
Balance at December 31, 2016	**$**	**470,621**	**649,130**	**2,210,702**	**485,416**	**424,400**	**4,240,269**
Depreciation:							
Balance at January 1, 2017	$	-	302,756	1,745,142	352,757	-	2,400,655
Depreciation for the year		-	21,557	81,632	34,931	-	138,120
Disposals		-	(470)	(30,088)	(8,442)	-	(39,000)
Balance at December 31, 2017	**$**	**-**	**323,843**	**1,796,686**	**379,246**	**-**	**2,499,775**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Land	Buildings	Machinery	Other equipment	Equipment under installation and construction in progress	Total
Balance at January 1, 2016	$ -	283,473	1,777,776	322,757	-	2,384,006
Depreciation for the year	-	22,074	89,182	38,406	-	149,662
Disposals	-	(2,791)	(121,816)	(8,406)	-	(133,013)
Balance at December 31, 2016	$ -	302,756	1,745,142	352,757	-	2,400,655
Carrying amounts:						
At December 31, 2017	$ 470,621	349,859	723,608	177,762	419,178	2,141,028
At January 1, 2016	$ 470,621	366,857	510,610	108,059	38,300	1,494,447
At December 31, 2016	$ 470,621	346,374	465,560	132,659	424,400	1,839,614

As of December 31, 2017, the property, plant and equipment were not pledged as collateral for long-term debt and financing.

As of December 31, 2016, the property, plant and equipment were pledged as collateral for long term debt and financing, please refer to Note (8).

(g) Short-term borrowings

	2017.12.31	2016.12.31
Unsecured bank loans	$ 150,325	22,022
Unsecured credit	$ 2,018,832	1,601,134
Range of interest rates	1.81%~2.75%	1.84%~2.5%

(h) Long-term borrowings

	2017.12.31	2016.12.31
Unsecured bank loans	$ -	743,750
Secured bank loans	-	481,250
Less: Discount on long-term borrowings	-	(4,100)
Current portion	-	(350,000)
Total	$ -	870,900
Unsecured credit	$ 2,850,000	600,000
Range of interest rates	1.04%~1.44%	1.8%
Due year	0	109

For the exposure information of the Company's rate foreign currency and current risk, please refer to Note (6)(s).

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1.Collateral for Bank Loans

Please refer to Note (8) for details of the related assets pledged as collateral.

2.Contract of bank loans

Under these agreements, the financial statements of the Company on the balance sheet date (June 30 and December 31) shall maintain certain financial ratios such as current ratios, liability ratios and interest coverage ratios of the secured loans in the contract period or before paying off all debts. The Company did not act against the restriction of these financial covenants.

(i) Unsecured convertible bonds

	2017.12.31	2016.12.31
Total convertible corporate bonds issued	$ 1,500,000	-
Cumulative redeemed amount	(111,194)	-
Cumulative converted amount	(68,600)	-
Corporate bonds issued balance at year-end	**$ 1,320,206**	**-**
Embedded derivative – call and put options, included in financial liabilities at fair value through profit or loss	**$ 5,869**	**-**
Equity component – conversion options (included in paid-in capital – stock options)	**$ 115,985**	**-**

	2017	2016
Profit or loss revalued by fair value of Embedded derivative instruments – call and put rights, included in financial liabilities at fair value through profit or loss	**$ 152**	**-**
Interest expense	**$ 15,611**	**-**

The Company issued the fourth unsecured 5-year convertible bonds which bear no interest on May 16, 2017, with the maturity date on May 16, 2022. The total convertible corporate bonds issued amounted to TWD1,500,000, with an effective interest rate of 1.80%. The Holders have the right to require the Company to redeem their convertible bonds in cash at an amount equal to the principal amount of the Bonds (with interest) at any time during the forty days after May 16, 2020. The conversion price of the convertible bonds were set based on the issued regulation.

1.The date and approach on redemption

Unless the Bonds have been previously redeemed, those repurchased or converted into common stocks will be redeemed at par value on the maturity date in cash.

2.Conversion price and adjustment

The conversion price was NT$121.00 per share when issued, when the proportion of cash dividend is above 1.5% in market price per share. The price would be adjusted when there are changes in the Company's total ordinary shares or when the Company issues other convertible securities with convertible price being lower than the current market price per share. According to the Company's third unsecured convertible bonds regulations (11), the convertible price has been adjusted from NT$121.00 per share to NT$117 per share because the Company granted stocks on August 16, 2017 . The Company will not amend the said clause above.

3.Redemption at the option of the Company

1)At any time during August 17, 2017 (the 91st day following the issuance date) and April 6, 2022 (the 40th day prior to the maturity date), the Company may send each holder a "Notice of Redemption" (The record date of redemption is based on the maturity date which is the 30th day following the postal date) and redeems the bonds on maturity date in the following situation:

A.Closing price of the common shares on each trading day in Taipei Exchange within a period of 30 consecutive trading dates, exceeding 30% of the conversion price ;

B.Total amount of outstanding bonds is lower than 10% of offering amount after the Company has been required by the Holders to convert their Bonds.

The Company may mail Notice of Redemption of one-month maturity, which is from the postal date, to the holders and consign to Taipei Exchange for announcing. The Company has to redeem all the outstanding convertible bonds at par value by cash after five operating days and the record date of redemption may not lie between the termination date of conversion of bonds.

2) Redemption Yield:

The Company will redeem convertible bonds at an amount equal to the principal amount of the Bonds at any time during August 17, 2017 (the 31st day following the issuance date) and April 6, 2022 (the 40th day prior to the maturity).

3)The Company may convert the Bonds into common shares at convertible price on the record date of conversion if the Shareholding agency did not receive any response from the holders before the record date of redemption stated in the "Notice of Redemption".

4.Redemption at the option of the holder

The creditors may ask the Company to redeem their holdings at par value on the 40th day prior to the day of issuance for three years. The Company should redeem the convertible bonds five days after record date of call when accepting asks of call.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(j) Provisions

	Allowance for sales return and discount
Balance at January 1, 2017	$ 18,641
Provisions made during the year	(3,523)
Balance at December 31, 2017	**$ 15,118**
Balance at January 1, 2016	$ 3,892
Provisions reversed during the year	14,749
Balance at December 31, 2016	**$ 18,641**

The management estimated the possibility of sales return and discount with judgment, historic experience and other a known information and recognized the numbers into the deduction of related products' operating revenue.

(k) Employee benefits

1.Defined benefit plans

The Company determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	2017.12.31	2016.12.31
Present value of defined benefit obligation	$ 133,415	143,465
Fair value of plan assets	(111,786)	(112,385)
Net defined benefit liabilities	**$ 21,629**	**31,080**

The Company makes defines benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years or service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company sets aside pension funds in accordance with the regulations of the Council of Labor Affairs, and the pension funds are managed by the Pension Supervisory Committee. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks’ two-year time deposit in accordance with the Management and Utilization of Labor Pension Funds regulations.

The Company’s Bank of Taiwan pension reserve account balance amounted to $111,786 at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs and the Labor Pension Supervisory Committee.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2017	2016
Defined benefit obligation at January 1	$ 143,465	114,438
Current service costs and interest	3,308	3,425
Remeasurement on the net defined benefit liabilities (assets)		
—Actuarial losses (gains) arising from experience adjustments	(3,938)	11,864
—Actuarial losses (gains) arising from changes in financial assumptions	924	16,503
Benefit pay under the plan	(10,344)	(2,765)
Defined benefit obligation at December 31	**$ 133,415**	**143,465**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2017	2016
Fair value of plan assets at January 1	$ 112,385	106,467
Interest income	1,589	2,055
Remeasurement on the net defined benefit liabilities (assets)		
—Return on plan assets (excluding current interest)	(521)	(1,288)
Contribution made	8,677	7,916
Benefit which has paid by the plan assets	(10,344)	(2,765)
Fair value of plan assets at December 31	**$ 111,786**	**112,385**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2017	2016
Current service costs	$ 1,348	1,290
Net interest of net defined benefit liabilities	372	80
	$ 1,720	**1,370**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2017	2016
Operating costs	$ 1,342	1,064
Selling expenses	76	64
Administrative expenses	205	173
Research and development expenses	97	69
	$ 1,720	**1,370**

5) Remeasurement on the net defined benefit liabilities recognized in other comprehensive income

The Company' s remeasurement on the net defined benefit liabilities recognized in other comprehensive income as at December 31, 2017 and 2016 were as follows:

	2017	2016
Cumulative amount at January 1	$ 13,618	(16,037)
Recognized during the period	(2,493)	29,655
Cumulative amount at December 31	**$ 11,125**	**13,618**

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions of Present Value of defined benefit obligations:

	2017.12.31	2016.12.31
Discount rate	1.63 %	1.38 %
Future salary increases	1.50 %	1.50 %

The Company will pay the defined benefit plans amounting to $7,777 within 1 year after the reporting date in December 31, 2017.

The weighted average duration of the defined benefit obligation is 16.05 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2017		
Discount rate	(3,781)	3,939
Future salary increasing rate	3,869	(3,733)
December 31, 2016		
Discount rate	(4,404)	4,593
Future salary increasing rate	4,503	(4,339)

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016, respectively.

2.Defined contribution plans

The Company set aside 6% of the employees' monthly wages to the Labor Pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act.

The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

For the years ended December 31, 2017 and 2016, the Company set aside $26,918 and $23,153, respectively, under the pension plan to the Bureau of the Labor Insurance.

(l) Income taxes (profits)

1.Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	2017	2016
Current income tax expense:		
Current period	$ 617,931	470,265
Adjustment for prior periods	-	1,015
	617,931	471,280
Deferred tax expense (benefit):		
Origination and reversal of temporary differences	51,145	178,553
Income tax expense	**$ 669,076**	**649,833**

Income tax expense (benefit) recognized in other comprehensive income:

	2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses and gains on defined benefit plans	**$ (424)**	**5,042**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	**$ 22,654**	**119,361**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The reconciliation of income tax and profit before tax was as follows:

	2017	2016
Profit excluding income tax	$ 3,460,033	3,420,188
Income tax using the Company's domestic tax rate	$ 588,206	581,432
Non-deductible expenses	3,355	3
Tax-exempt income	(6,791)	(12,691)
Prior years income tax adjustment	-	1,015
Undistributed earnings additional tax at 10%	84,306	80,074
Total	$ 669,076	649,833

2.Deferred tax assets and liabilities

1) Unrecognized Deferred Tax Liabilities

For the years ended December 31, 2017 and 2016, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The relevant amounts are as follow:

	2017.12.31	2016.12.31
Consolidated amount of taxable temporary differences associated with investments in subsidiaries	$ 5,074,438	5,074,438
Amounts are not recognized as deferred tax liabilities	$ 862,654	862,654

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 are as follows:

	Cumulative translation adjustment	Unrealized gain on investment income	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2017	$ -	(555,874)	(1,068)	(556,942)
Debited (Credited) in income statement of foreign operations	-	(51,038)	1,068	(49,970)
Balance at December 31, 2017	$ -	(606,912)		(606,912)

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Cumulative translation adjustment	Unrealized gain on investment income	Others	Total
Balance at January 1, 2016	$ (96,462)	(379,862)	(855)	(477,179)
Debited (Credited) in income statement	-	(176,012)	(213)	(176,225)
Exchange differences on translation of foreign operations	96,462	-	-	96,462
Balance at December 31, 2016	$ -	(555,874)	(1,068)	(556,942)

	Defined Benefit Plans	Current provisions	Unrealized losses on inventories	Cumulative translation adjustment	Others	Total
Deferred Tax Assets:						
Balance at January 1, 2017	$ 6,595	3,169	3,770	22,899	-	36,433
Debited (Credited) in income statement	(1,183)	(599)	294	-	313	(1,175)
Debited (Credited) in equity	(424)	-	-	-	-	(424)
Exchange differences on translation of foreign operations	-	-	-	22,654	-	22,654
Balance at December 31, 2017	$ 4,988	2,570	4,064	45,553	313	57,488
Balance at January 1, 2016	$ 2,666	663	7,491	-	-	10,820
Debited (Credited) in income statement	(1,113)	2,506	(3,721)	-	-	(2,328)
Debited (Credited) in equity	5,042	-	-	-	-	5,042
Exchange differences on translation of foreign operations	-	-	-	22,899	-	22,899
Balance at December 31, 2016	$ 6,595	3,169	3,770	22,899	-	36,433

3.The Company’s tax returns for the years through 2015 were examined and approved by the Taipei National Tax Administration.

4.The Company’s information related to the inappropriate earnings and tax deduction ratio is summarized below:

	2017.12.31	2016.12.31
Unappropriated earnings of 1998 and after	Note	$ 6,014,995
Balance of deductible tax account	Note	$ 341,917

	2017 (estimated)	2016 (actual)
Tax deduction ratio for earnings distribution to ROC residents	Note	8.87 %

The above-mentioned information of the unappropriated earnings and tax deduction ratio have been prepared in accordance with the permit No.10204562810 issued by the Ministry of Finance on October 17, 2013.

Note: The planned tax-deductible rates of 2017 has not effective since January 1,2018. The related information is for referring only.

(m) Capital and other equity

1. Issuance of common stock

As of December 31, 2017 and 2016, the total value of nominal ordinary shares amounted to $4,000,000. The face value of each share is $10. In total, there were 319,652 and 318,921 in thousands of ordinary shares, respectively, issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2017 and 2016 was as follows:

	Ordinary shares (in thousands of shares)	
	2017	**2016**
Balance at January 1	$ 318,921	317,505
Exercise of employee stock options	586	-
Conversion of convertible bonds	145	1,416
Balance at December 31	**$ 319,652**	**318,921**

For the years ended December 31, 2017 and 2016, new common shares of stock totaling 145 and 1,416 were issued with denomination from the exercise of employee stock options. The total new issued employee stock were accounted as $3,045and $25,191, and the capital that rose from the shares had all been retrieved. The registration procedures were completed.

For the years ended December 31, 2016, new common shares of stock totaling 586 were issued with denomination from convertible bonds. The total new issued stock were accounted as $68,600. The registration procedures were completed.

2. Capital surplus

The balance of additional paid-in capital was as follows:

	2017.12.31	**2016.12.31**
Share capital	$ 95,627	89,226
Premium from convertible bonds	412,109	349,553
Employee share option	-	4,853
Convertible option	115,985	-
	$ 623,721	**443,632**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

3. Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Taking into account the characteristics of industrial growth and stabilizing the financial structure of the Company, the Company will not distribute dividends when in deficit.

Under the policy of dividend distribution, the Company shall first take into consideration its future development, financial situation and shareholders' rewards, as well as its programs to meet its capital expenditure budget in determining the cash in need. After the aforementioned consideration, the Company will distribute the cash dividends to its shareholders. Cash dividends shall not be more than 20% of the total dividends.

Surplus distributed should be, on principle, 10% to 70% of distributable surplus. Distributable surplus is accounted for as profit, after setting aside reserves, plus, prior-year undistributed earnings. Any remaining profit shall be distributed according to the stockholders' meeting for approval.

1) Legal reserve

10 percent of net income should be set aside as statutory earnings reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash, of up to 25 percent of the actual share capital.

2) Earnings distribution

The earnings distribution for 2016 and 2015 was decided by the general meeting of shareholders held on June 13, 2017, and June 13, 2016.

The relevant dividend distribution to shareholders is as follows:

	2016		2015	
	Dividend per Share (TWD$)	**Amount**	**Dividend per Share (TWD$)**	**Amount**
Dividends distributed to common shareholders				
Cash	$ 4.70	1,499,056	4.30	1,367,929

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

4. Other equity

	Foreign currency translation differences for foreign operations
Balance at January 1, 2017	$ (126,586)
Exchange difference on translation of foreign financial statements	(110,606)
Balance at December 31, 2017	**$ (237,192)**
Balance at January 1, 2016	$ 456,175
Exchange difference on translation of foreign financial statements	(582,761)
Balance at December 31, 2016	**$ (126,586)**

(n) Share-based payment

Information on share-based payment transaction as of December 31, 2016 was as follows:

	Equity-settled share-based payment
	Employee stock option plan
Grant date	2012.07.06
Units granted	1,500
Contractual life	5 years
Vesting period	4 years
Actual turnover rate of employees	1.39
Estimated future turnover rate of employee	-

1.Determining the fair value of equity instruments granted

The Company adopted the Hull & White and Ritchken model to calculate the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

	2017 issued in 2012	2016 issued in 2012
Fair value at grant date	9.285	9.285
Share price at grant date	27.750	27.750
Exercise price	21.000	21.000
Dividend rate	-	-
Expected volatility (%)	38.08 %	38.08 %
Expected life of the option (year)	5.00	5.00
Risk-free interest rate (%)	1.05 %	1.05 %

Expected volatility is based on the Annualized Standard Deviation of daily return rate of the Company's historic share price. Expected life of the portion is the time difference between the measurement date and the matured date which is according to the Company's provision of portion to execute the right. Risk-free rate is based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

In considering the impact of early exercise of share options by the employees, the Company makes an assumption that the employees will exercise the options after the grant date and that the share price is equivalent to 2.14 times of the exercise price. This assumption is incorporated into the calculation of the fair value.

2.Employee stock options

Details of the employee stock options and the transfer of treasury stock were as follows:

(Amounts Expressed in Thousands)

	2017		2016	
	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options
Outstanding at January 1	$ 21.00	150	18.29	1,609
Exercised during the year (number)	21.00	(145)	17.79	(1,416)
Expired during the year (number)	21.00	(5)	17.69	(43)
Outstanding at December 31		-	21.00	**150**
Exercisable at December 31		-	21.00	**150**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The information of outstanding share of reward employee stock options was as follows:

			Outstanding options as of December 31, 2017			Exercise options	
Approved date	Issued date	Exercise price	Outstand amount	Weight average expected life	Weight average exercise price	Exercisable amounts on December 31, 2017	Weight average exercise price
2011.07.07	2012.07.06	21.00	-	Due	-	-	-

			Outstanding options as of December 31, 2016			Exercise options	
Approved date	Issued date	Exercise price	Outstand amount	Weight average expected life	Weight average exercise price	Exercisable amounts on December 31, 2017	Weight average exercise price
2011.07.07	2012.07.06	21.00	150	7 months	21.00	150	21.00

3.Employee expenses and liabilities

Accrued expense from share-based payments of the Company was as follows:

	2017	2016
Employee options	$ (47)	52

(o) Earnings per share

The Company calculated the basic and diluted EPS as follows:

1.Basic earnings per share

The calculation of basic earnings per share at December 31, 2017 and 2016, were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit attributable to ordinary shareholders

	2017	2016
Profit/(loss) attributable to ordinary shareholders of the Company	$ 2,790,957	2,770,355

2) Weighted-average number of ordinary shares

Issued ordinary shares at January 1	318,921	317,505
Effect of convertible notes	195	-
Effect of exercise of share options	100	893
Weighted-average number of ordinary shares at December 31	319,216	318,398

2.Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2017 and 2016, were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1) Profit attributable to ordinary shareholders of the Company (diluted)

		2017	2016
Profit/(loss) attributable to ordinary shareholders of the Company (basic)	$	2,790,957	2,770,355
Convertible preference shares dividends		12,831	-
Profit/(loss) attributable to ordinary shareholders of the Company (basic)	$	**2,803,788**	**2,770,355**

2) Weighted-average number of ordinary shares (diluted)

	2017	2016
Weighted-average number of ordinary shares (basic)	319,216	318,398
Effect of convertible bond	8,352	-
Effect of employee stock compensation	1,239	1,554
Effect of issuance of employee share options	37	470
Weighted-average number of ordinary shares (diluted) at December 31	**328,844**	**320,422**

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company’s option is outstanding.

3.Earnings per share were as follow:

		2017	2016
Basic earnings per share	$	**8.74**	**8.70**
Diluted earnings per share	$	**8.53**	**8.65**

(p) Revenue

For the years ended December 31, 2017 and 2016, the details of revenue are as follows:

		Continuing Operations	
		2017	2016
Sale of goods	$	**6,181,352**	**6,025,659**

(q) Rewards of employees, directors and supervisors

The employees mentioned before include the employees in the subsidiaries who meet the specific conditions.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

For the years ended December 31, 2017 and 2016, rewards of employees of $108,126 and $106,881 and directors of $36,042 and $35,627, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company's profit before tax before rewards of employees and directors for the year ended December 31, 2017 and 2016, and using the earnings allocation method which was stated under the Company's article. These rewards were charged to profit or loss under operating costs or operating expenses for the year ended December 31, 2017 and 2016.

Related information of distributions of remuneration to employees and directors can be accessed from the Market Observation Post System on the website.

There is no difference between the rewards of employees and directors that was decided by the Board of Directors and the financial report's estimated amounts in 2017 and 2016.

(r) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	2017	2016
Interest income	$ 2,087	2,460

2. Other gains and losses, net

The details of other gains and losses were as follows:

	2017	2016
Foreign currency exchange gain (loss)	$ (10,504)	(18,452)
Disposal loss on property, plant and equipment	(331)	544
Financial assets (liabilities) at fair value through profit or loss	2,120	(1,968)
Other profits	1,081	2,576
	$ (7,634)	(17,300)

3. Finance costs

The details of finance cost were as follows:

	2017	2016
Interest expense	$ 34,400	27,005

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(s) Financial instruments

1.Credit risk

1) Credit risks exposure

As of December 31, 2017 and 2016, the maximum exposure to credit risk arising from failure of performance of the counter-party and from financial guarantee made by the Company were as follows:

A.The carrying amount of financial assets recognized in the financial statements;

B.Financial guarantee made by the Company amounting to USD30,500, TWD4,000, and USD49,500, TWD70,000, respectively.

2.Liquidity risk

The following are the contractual maturities of financial liabilities of the Company, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
Balance at December 31, 2017						
Non-derivative financial liabilities						
Accounts payable	$ 1,320,206	1,431,400	-	-	-	1,431,400
Unsecured bank loans	150,325	150,608	150,608	-	-	-
Accounts payable	1,552,452	1,552,452	1,552,452	-	-	-
	$ 3,022,983	**3,134,460**	**1,703,060**	**-**	**-**	**1,431,400**
Balance at December 31, 2016						
Non-derivative financial liabilities						
Secured bank loans	$ 477,150	498,093	69,302	69,921	141,694	217,176
Unsecured bank loans	765,772	791,818	129,141	108,060	218,981	335,636
Accounts payable	1,396,157	1,396,157	1,396,157	-	-	-
	$ 2,639,079	**2,686,068**	**1,594,600**	**177,981**	**360,675**	**552,812**

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

3.Currency risk

1) Currency risk exposure

The Company's significant exposure to foreign currency risk was as follows:

	2017.12.31			2016.12.31		
	Foreign currency (thousands of dollars)	**Exchange rate**	**TWD**	**Foreign currency (thousands of dollars)**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 50,174	29.76	1,493,176	41,845	32.25	1,349,506
JPY	238	0.26	62,880	83,997	0.28	23,150

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2017.12.31			2016.12.31		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
Financial liabilities						
Monetary items						
USD	45,175	29.76	1,344,394	32,319	32.25	1,042,284
JPY	-	-	-	83,360	0.2756	22,974

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, bank loans, accounts payable and other payable that are denominated in foreign currency.

A 1% appreciation or depreciation of the TWD against the USD as at December 31, 2017 and 2016, would have increased or decreased net income by $1,237 and $2,552, respectively. This analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

The foreign exchange gains (losses) of Company monetary items converted into the functional currency amount and converted to parent Company's functional currency Taiwan Dollar exchange rate information were as follows:

	2017		2016	
	Foreign exchange losses	Average exchange rate	Foreign exchange losses	Average exchange rate
TWD	$ (10,504)	-	(18,452)	-

4.Interest analysis

The interest rate exposure of the Company's financial assets and liabilities is described in Note (6)(r)3. on liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the financial assets and liabilities on the reporting date.

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Company's internal management reported the increases or decreases in the interest rates and the exposure to changes in interest rates of 0.5% is considered by management to be a reasonable change of interest rate.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

If the interest rate increases or decreases by 0.5%, the Company's net income will decrease /increase by $67 and $11,942 for the years ended December 31, 2017 and 2016, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate borrowing and the financial assets evaluation of risk-free interest rate changes on corporate bonds.

5. Fair value

1) The kinds of financial instruments and fair value

Financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets are measured on a recurring basis. The fair value of financial assets and liabilities were as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value and those fair value cannot be reliably measured or inputs are unobservable in active markets):

	2017.12.31				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss					
Redemption and repurchase option of bonds	$ 5,869	-	5,869	-	5,869

	2016.12.31				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss					
Non derivative held for trading financial liabilities	$ 1,968	-	1,968	-	1,968

2) Valuation techniques for financial instruments measured at fair value

A.Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market. The major exchange and the Over-the-Counter of Central Government's bonds is the basis to the fair value of listing equity instruments and liability instruments in active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

Measurements of fair value of financial instruments without an active market are disclosed the categories and attributions as follows ：

Equity instrument that has no quoted prices: The net asset value method is used to estimate the fair values. The main assumption for the model is to use the net asset value per share as the measuring basis.

(t) Financial risk management

1.Overview

The nature and the extent of the Company’s risks arising from financial instruments, which include credit risk, liquidity risk and market risk, are discussed below. Also, the Company’s objectives, policies and procedures of measuring and managing risks are discussed below.

For more quantitative information about the financial instruments, please refer to the other related notes of the notes to the financial statements.

2.Risk management framework

The financial management department, which provides intra-company services, is responsible for coordinating domestic and international financial market operations, as well as monitoring and managing operation-related financial risks through the internal risk report. The internal risk report analyzes risk exposure of the Company through range and depth. The Company uses derivative financial instruments to hedge risks and to alleviate their impacts. Usage of derivative financial instruments is subject to regulations approved of by the Board of Directors. The regulation is a written document pertaining the usage of exchange risk, interest risk, credit risk, derivative and non-derivative financial instruments, as well as the investment of the remaining working capital. The internal auditors review the policy compliance and risk exposure on a regular basis. The Company does not engage in opportunistic operations of financial instruments (including derivative financial instruments). The financial management department reports to The Company Risk management Committee quarterly. The Company Risk Management Committee is an independent organization that is responsible for monitoring risk management and enforcing policies to reduce risk exposure.

3.Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and investment.

1) Accounts receivable and other receivables

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company’s customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk.

The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms are offered. The Company's review includes external ratings, when available, and in some cases bank references. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager's office; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the General Manager's office. If customers default, the Company will stop transactions with those customers or trade on a cash basis.

The Company established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss incurred but not yet identified. The collective loss allowance is determined based on historical data on payment statistics for similar financial assets.

2) Bank deposit and transaction contract of foreign derivative instruments

The credit risk exposure in the bank deposits and transaction contract of foreign derivation instruments is measured and monitored by the General Manager's office. The Company only deals with financial institutions; therefore, there are no significant doubts regarding default on the above financial instruments, and as a result, there is no significant credit risk.

4.Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to cost its products, which assists it in monitoring cash flow requirements. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities over the succeeding 90 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2017 and 2016, the Company's unused credit line were amounted to $4,868,832 and $2,201,134, respectively.

5.Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollar (TWD), US Dollar (USD), and China Yuan (CNY). Besides, the Company uses natural hedging principle to hedge by controlling the net amount of each currency of the Company in accordance with the condition of the exchange rate market. The Company hedges the currency risk with forward foreign currency whose mature date is in a year from report date and currency swap contract.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the TWD, USD , and CNY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest risk

The Company's borrowings were on the basis of floating interest rate. The Company is not involved in the situation of changing floating interest rate into fixed rate with interest rate swap agreement. The Company periodically assessed the borrowing rates of the banks and every currency to make provisions for interest-changed rate risk. In addition, the Company creates favorable relationship with banks to get lower financial costs from borrowings in order for it to strengthen its working capital to lower its dependency on bank borrowings, as well as situation of changing floating interest rate and scatter interest-changed rate risk.

3) Other market price risk

The Company does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements; such contracts are not settled on a net basis.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(u) Capital management

The Company maintains and manages its capital to meet the minimum paid-in capital required by the competent authority, and to optimize the balance of liabilities and equity in order to maximize shareholders' return. By periodically reviewing and measuring relative cost, risk, and rate of return to ensure profit and to maintain adequate financial ratios, the Company may adopt various financing approaches to balance its capital structure in order to meet the demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in normal course of business for the future. The Company’s debt to equity ratios at the balance sheet date were as follows:

(7) Related-Party Transactions

(a) Parent company and ultimate controlling company

The Company is both the parent company and the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Company
EMC OVERSEAS HOLDING INCORPORATED	The Company and its subsidiaries
Elite Electronic Material (Kunshan) Co., Ltd.	The Company its sub-subsidiaries
Grand Zhongshan Incorporated	The Company its sub-subsidiaries
Elite Electronic Material (Zhongshan) Co., Ltd.	The Company its sub-subsidiaries

(c) Significant transactions with related parties

1.Sales

The amounts of significant sales by the Company to related parties were as follows:

	For the years ended December 31,	
	2017	2016
Subsidiaries	$ 331,540	62,360

The selling price for related parties approximated the market price. The credit terms ranged from 90 to 120 days, which approximated those for routine sales transactions. Amounts receivable from related parties were uncollateralized, and no provisions for doubtful debt were required after the assessment by the management.

2.Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31,	
	2017	2016
Subsidiaries	$ 129,673	123,453

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from 90 to 120 days, which were no different from the payment terms given by other vendors.

3.Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	2017.12.31	2016.12.31
Accounts receivable	Subsidiaries	$ 221,846	32,481
Accounts receivable	Grand Zhongshan Incorporated	20,951	2,756
Other receivables	Subsidiaries	49	214
		$ 242,846	**35,451**

4.Payables to related parties

Account	Relationship	2017.12.31	2016.12.31
Accounts payable	Subsidaries	**$ 43,847**	**36,180**

5.Guarantee

As of December 31, 2017, the Company had provided a guarantee for loans taken out by its subordinates, please refer to Note 13(a) for further explanations.

(d) Key management personal compensation

Key management personnel compensation comprised:

	For the years ended December 31, 2017	2016
Short-term employee benefits	$ 115,152	104,935
Post-employment benefits	2,491	15,812
Share-based payments	-	1
	$ 117,643	**120,748**

Please refer to Notes 6(n) for further explanations related to share-based payment transactions.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Purpose of Pledge	2017.12.31	2016.12.31
Property, plant, and equipment			
Land	Bank loans guarantee	$ -	332,873
Buildings	〃	-	170,069
Guarantee deposit	Staff dormitory	3,962	5,449
		$ 3,962	508,391

(9) Significant Contingencies and Commitments

(a) Major Commitments and contingencies were as follows:

1.Unused standby letters of credit

	2017.12.31	2016.12.31
Unused standby letters of credit		
TWD	$ 103,443	80,606
USD	3,406	7,239
JPY	-	156,075

2.The significant contracts for engineering construction and purchase of properties in order to extend factories and machineries by the Company, were as follows:

	2017.12.31	2016.12.31
Total contract price	$ 130,476	304,476
Unpaid contract price	$ 13,048	117,443

3.The royalties of eco-material technic treatment with Japanese Company H, the paid royalties were as follows:

2017	2016
$ 42,655	48,711

4.As of December 31, 2017 and 2016, the amounts of Performance Letter of Guarantee issued by Mega International Commercial Bank-Zhongli Branch for the purpose of Customs for guaranty of domestic tariff and for guaranty of hiring foreigners to be employed were NT$4,000 and NT$5,000.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Company's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $10,145 and $107,102, respectively.

(12) Others

Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

Categorized as	For the year ended December 31, 2017			For the year ended December 31, 2016		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	557,519	292,358	849,877	477,847	319,639	797,486
Labor and health insurance	43,891	13,909	57,800	37,214	11,376	48,590
Pension	22,214	6,424	28,638	18,532	5,991	24,523
Others employee benefits	35,998	6,101	42,099	29,031	5,070	34,101
Depreciation	127,715	10,405	138,120	140,104	9,558	149,662
Amortization	131	1,875	2,006	-	1,537	1,537

As of December 31, 2017 and 2016, the Company had 922 and 799 employees, respectively.

(13) Additional Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2017:

1. Fund financing to other parties: None.

2. Guarantees and endorsements for other parties:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

No. (Note 1)	Name of company	Counter-party		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent Company endorsement/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Grand Shanghai Incorporated	3	5,935,840	645,500	401,760	-	-	3 %	11,871,679	Y		
0	〃	Grand Zhongshan Incorporated	3	5,935,840	467,625	267,840	-	-	2 %	11,871,679	Y		
0	〃	Elite Electronic Material (Zhongshan) Co., Ltd.	3	5,935,840	451,500	148,800	-	-	1 %	11,871,679	Y		Y
0	〃	"Elite Electronic Material (Kunshan) Co.Ltd."	3	5,935,840	96,750	89,280	-	-	1 %	11,871,679	Y		Y

Note 1: 0 is the Company.

Note 2:1. Entities with business relationship with the Company.

2. A subsidiary in which the Company directly holds more than 50 percent of its voting shares.

3. A investee in which the Company and subsidiary holds more than 50 percent of its voting shares.

4. A parent company in which the Company directly or Subsidiaries indirectly holds more than 50 percent of its voting shares.

Note 3: The total maximum endorsement / guarantee cannot exceed 100% of the Company's net worth in its latest financial statements, while the maximum endorsement / guarantee amount for a single company cannot exceed 50% of the Company's net worth in its latest financial statements.

3. Information regarding securities held at balance sheet date:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Note
				Number	Book value	Percentage	Market value	
EMC OVERSEAS HOLDING INCORPORARTED	PROUD STAR INTERNATIIONAL LIMITED	-	Non-current available-for-sale financial assets	500,000	16,822	3.26 %	16,822	

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.

5. Acquisition of real estate for which the dollar amount reaches $300 million or 20% or more of paid-in capital : None.

6. Disposition of real estate for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.

7. Buying/selling products with the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of Company	Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase /Sale	Amount	Percentage of total purchases /sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable)	
Grand Zhongshan Incorporated	Elite Electronic Material (Zhongshan) Co., Ltd.	Subsidiaries	Sale	(249,101)	(4.00)%	Depends on subsidiaries' financial condition	-		170,147	8.00 %	
Elite Electronic Material (Zhongshan) Co., Ltd.	Grand Zhongshan Incorporated	Parent company	Purchase	249,101	5.00 %	〃	-		(170,147)	(10.00)%	

8. Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover days	Past-due receivables from related party		Subsequently received amount of receivables from related party	Allowances for bad debts
					Amount	Action taken		
Elite Electronic Material Co., Ltd.	Elite Electronic Material (Zhongshan) Co., Ltd.	Equity investments under equity method	170,147	2.61	-		127,933	-

9. Derivative transactions:

For the Company's transaction information of derivative goods, please refer to Note 6(s) "financial instruments" to consolidated financial statement.

(b) Information on investees:

For the years ended December 31, 2017, the following was the information on investees (excluding investees in Mainland China) :

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	EMC OVERSEAS HOLDING INCORPORATED	British virgin Islands	Investment business	1,160,487	1,160,487	35,656,950	100.00 %	9,648,235	3,119,404	3,119,404	Subsidiaries
The Company	Li Cheng Tech Co., LTD.	Taiwan	Electronics、Telecommunications equipment、Wholesale、Retails、Batteries、Power generation and Distribution machinery manufacturing business	173,694	173,694	16,412,918	33.50 %	-	-	-	

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount) Ending balance	Initial investment (Amount) Beginning balance	Ending balance Shares	Ending balance Ratio of shares	Ending balance Book value	Net income (loss) of the investee	Investment income (losses)	Note
EMC OVERSEAS HOLDING INCORPORATED	Grand Zhuhai Incorporated	Cayman Islands	Import / export business and investment business	1,005,853	1,005,853	33,798,821	100.00 %	9,604,614	3,114,226	3,114,226	Sub-subsidiaries
〃	Li Cheng Tech Co., LTD.	Taiwan	Electronics、Telecommunications equipment、Wholesale、Retails、Batteries、Power generation and Distribution machinery manufacturing business	7,311	7,311	250,000	1.53 %	-	-	-	〃
Grand Zhuhai Incorporated	Grand Zhongshan Incorporated	British Virgin Islands	Import / export business and investment business	489,165	489,165	16,437,000	100.00 %	4,017,908	1,123,713	1,123,713	〃
〃	Grand Shanghai Incorporated	British virgin Islands	Import / export business and investment business	983,019	983,019	18,161,515	99.79 %	5,584,127	1,995,064	1,990,845	〃

Note 1:The amounts of book value recognized using the equity method include investment income(losses) and the exchange differences on translation of foreign statements.
Note 2: The amount above is evaluated based on the independent audit report of the investee under equity method .

(c) Information on investment in Mainland China:

1. Information on investment in Mainland China:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan (R.O.C.)	Investment Flows Outflow	Investment Flows Inflow	Accumulated Outflow of Investment from Taiwan	Net income (loss) of the investee	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
"Elite Electronic Material (Kunshan) Co.Ltd."	Copper clad laminate and prepreg business	541,632	(2)	650,816	-	-	650,816	1,988,384	99.79 %	1,984,180	5,605,340	3,364,682
Elite Electronic Material (Zhongshan) Co., Ltd.	〃	601,152	(2)	440,613	-	-	440,613	1,177,594	100.00 %	1,177,594	4,008,892	1,626,918

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission
1,108,876	1,141,188	7,123,007

Note 1: There are three investment approach of categories:
(1) Direct Investment in Mainland China.
(2) Investment in Mainland China by a third party.
(3) Other approach.
Note 2: The financial statements were audited by the Certified Public Accountants of the Company.
Note 3: The difference between the paid-in capital of Elite Electronic Material (Kunshan) Co. Ltd. and the investment amount remitted from Taiwan amounted to USD$6,012, which was invested overseas by the subsidiary.
Note 4: The difference between the paid-in capital of Elite Electronic Material (Zhongshan) Co. Ltd. and the investment amount remitted from Taiwan amounted to USD$6,255, which was recognized as capital increase out of earnings.
Note 5: The difference between the paid-in capital and investment amount remitted from Taiwan amounted to USD$110, which was invested overseas by the subsidiary.
Note 6: Surplus remitted from Elite Electronic Material (Kunshan) Co. Ltd. on May 3, 2016 has not yet been approved by the Investment Commission.
Note 7: Surplus remitted from Elite Electronic Material (Zhongshan) Co. Ltd. on July 15, 2016 has not yet been approved by the Investment Commission.
Note 8: The items in the balance sheet and those in the income statements were translated at the exchange rate of $29.76 and $30.4492, respectively, for the year ended December 31, 2016.

3. Significant transactions：

Please refer to the related disclosures above captioned as “Related information on material transaction items” for direct or indirect significant transactions between the Company and its investees in Mainland China for the year ended December 31, 2017. (The transactions were eliminated in the consolidated financial statements.)

(14) Segment Information

Please refer to the consolidated financial statements of the year ended 2017.